

CONTRACT #11
RFS # 329.01-179
FA # 06-16688-00

Correction

VENDOR:
Spectrum Health Systems,
Inc.



STATE OF TENNESSEE
DEPARTMENT OF CORRECTION
3rd FLOOR RACHEL JACKSON BUILDING
320 SIXTH AVENUE NORTH
NASHVILLE, TENNESSEE 37243-0465
OFFICE (615) 741-1000 EXT. 8094 ! FAX (615) 741-4605

RECEIVED

JUL 31 2008

FISCAL REVIEW

MEMORANDUM

TO: Robert Barlow
Department of Finance and Administration
Office of Contracts Review

FROM: *jc* Jim Cosby, Assistant Commissioner
Rehabilitative Services

DATE: July 18, 2008

SUBJECT: Requests for Non Competitive Amendment #2 to RFS # 329.01-179 and
RFS 329.01-184

Enclosed for your review and approval are the subject requests for amendment two to TDOC's two contracts with Spectrum Health Systems, Inc. for alcohol and drug treatment.

These amendments are to become effective on October 1, 2008 and will accomplish the following:

1. The two amendments will extend the contracts through December 31, 2009 and provide for the related funding.
2. The amendment to RFS 329.01-179 changes the Scope of Services to provide improved accountability and clarity on proposed services to be rendered, urinalysis testing, measurable accountability in the use of an evidenced based treatment model for drug involved offenders, the use of required documents by the state, appropriate staffing patterns and administrative tasks of the vendor.
3. The amendment to RFS 329.01-184 changes the Scope of Services to provide improved accountability and clarity on proposed services to be rendered, urinalysis testing, measurable accountability in the use of an evidenced based treatment model for drug involved offenders, the use of required documents by the state, appropriate staffing patterns and administrative tasks of the vendor.

Thanking you in advance for your consideration of this request.

C: ✓ Leni S. Chick, Fiscal Review Committee
George M. Little, Commissioner
Gayle Ray, Deputy Commissioner
Catherine Posey, Assistant Commissioner

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

Commissioner of Finance & Administration

Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.

1) RFS #	329.01-266-09	
2) State Agency Name :	Department of Correction	
EXISTING CONTRACT INFORMATION		
3) Service Caption :	Alcohol and Drug Abuse Counseling	
4) Contractor :	Spectrum Health Systems, Inc.	
5) Contract #	FA-06-16688-00	
6) Contract Start Date :	March 1, 2006	
7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	December 31, 2010	
8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$2,153,000	
PROPOSED AMENDMENT INFORMATION		
9) <u>Proposed</u> Amendment #	Two	
10) <u>Proposed</u> Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	October 1, 2008	
11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	December 31, 2010	
12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$2,153,000	
13) Approval Criteria : (select one)	<input checked="" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input type="checkbox"/> only one uniquely qualified service provider able to provide the service	
14) Description of the Proposed Amendment Effects & Any Additional Service :		
The proposed amendment affects the Scope of Services: staffing requirements and administrative tasks.		
15) Explanation of Need for the Proposed Amendment :		
The proposed amendment to the scope of services provides improved accountability and clarity of services to be rendered including urinalysis testing, measurable accountability in the use of an evidenced based treatment model for drug involved offenders, the use of		

required documents by the State, appropriate staffing patterns and administrative tasks of the contractor.

16) Name & Address of Contractor's Current Principal Owner(s) :
(not required if proposed contractor is a state education institution)

Spectrum Health Systems, Inc., 10 Mechanic Street, Suite 302, Worcester, MA 01608

17) Documentation of Office for Information Resources Endorsement :
(required only if the subject service involves information technology; N/A to THDA requests)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

18) Documentation of Department of Personnel Endorsement :
(required only if the subject service involves training for state employees)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

19) Documentation of State Architect Endorsement :
(required only if the subject service involves construction or real property related services)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :

The proposed amendment extends the contract for an additional year in accordance with the rates submitted by the Contractor in response to TDOC's RFP and makes certain changes to the Scope of Services. To maintain continuity of services and to maintain the contracted rates, the Tennessee Department of Correction did not seek other contractors to provide these services.

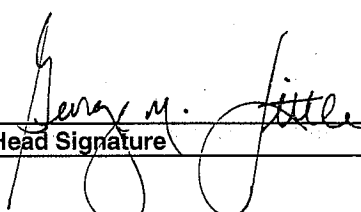
21) Justification for the Proposed Non-Competitive Amendment :

This Contractor was awarded the contract in 2006 based on being the best evaluated proposer to TDOC's RFP. Since there is no change in the rates or cost of the contract and since this only involves certain Scope of Service changes, for continuity of services and cost to the State it is in the best interest of the State to continue with an extension of this contract.

REQUESTING AGENCY HEAD SIGNATURE & DATE :

(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)

Agency Head Signature



7-22-08

Date

**AMENDMENT TWO
TO FA-06-16688-00**

This Contract Amendment is made and entered by and between the State of Tennessee, DEPARTMENT OF CORRECTION, hereinafter referred to as the "State" and SPECTRUM HEALTH SYSTEMS, INC., hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

1. The Text of Contract Section A is deleted in its entirety and replaced with the following:

A. SCOPE OF SERVICES:

General Program Requirements

The Contractor shall develop and implement a comprehensive alcohol and drug treatment program based on a Therapeutic Community (TC) model for incarcerated felony drug offenders at the following two facilities along with the required Contractor staffing indicated:

A.1. Turney Center Industrial Prison (TCIP)

76 beds

- a. Required Contractor Staffing: One (1) licensed substance abuse counselor and two (2) non-licensed substance abuse counselors (full time positions or their equivalents working a standard week of 37.5 hours). Case load ratios to be determined by the State's Director of Substance Abuse Services.

- b. The Contractor shall design and implement an approximate nine (9) month treatment program that includes the following treatment elements:

- 1) Modified Therapeutic Community Structure to include the following:

Initial Assessment

Pre and Post testing designed to evaluate the program participant's criminal thinking errors

TC structure boards that outline peer hierarchy, roles and job functions

Evidence-based cognitive behavioral therapy curriculum

Program rules

TC Dynamics (such as push-ups, pull-ups, role modeling, awareness sessions, peer support/interaction, peer hierarchy, learning experiences, etc.)

Community meetings

- 2) Confrontation/Encounter group at least twice a week

- 3) Alcohol and Drug Treatment

- 4) Individual and Group Counseling

- 5) Drug Testing

- c. The Contractor shall maintain an average monthly program census of seventy five (75) participants. The Contractor's treatment program shall include the following phases:

Phase I – Orientation. During this phase all assessments are conducted and a treatment plan is prepared for each participant. Program participants are oriented to the Therapeutic Community Model and program rules and regulations. Each offender shall receive a minimum of 12 hours of documented therapeutic activities each week. Therapeutic activities may be divided between TC work crews, treatment educational or group counseling sessions, structured group community functions, or 12 step meeting attendance (if available).

Phase II – Main Treatment. Each offender shall receive a minimum of 12 hours of documented therapeutic activities each week. Therapeutic activities may be divided between TC work crews, treatment educational or group counseling sessions, structured group community functions, academic or vocational counseling programming (if available), or 12 step meeting attendance (if available) .

Phase III – Reintegration. During this phase offenders are preparing for community release or release to the general prison population. All program participants shall be required to have a Discharge Summary which will include the following information: housing arrangements, employment, family/marital plans, legal issues and continued treatment plans (if any). Each offender shall receive a minimum of 12 hours of documented therapeutic activities each week. Therapeutic activities may be divided between TC work crews, treatment educational or group counseling sessions, structured group community functions, academic or vocational counseling programming (if available), or 12 step meeting attendance (if available) .

Program participants who have completed all phases of the treatment program shall successfully complete the Therapeutic Community Program.

d. The Contractor shall adhere to the criteria for movement from one phase to the next as established in TDOC policy 113.95, since it may be amended in writing by the Department during the term of this contract.

A.2. Wayne County Technical Violators Diversion Program

The contractor shall be assigned a portion of the participants in the State's Technical Violators Diversion Program (TVDP). The TVDP will process approximately 300 participants annually. The number of participants to be assigned to the contractor's section of the program will be determined by the State during initial intake at the facility on a case-by-case basis.

a. Required Contractor Staffing: Two (2) licensed substance abuse counselors and one (1) non-licensed substance abuse counselor (full time positions or their equivalents working a standard week of 37.5 hours). Case load ratios to be determined by the State's Director of Substance Abuse Services.

b. The contractor shall provide a minimum of 12 hours per week of treatment, group counseling sessions or educational sessions to those inmates assigned to the contractor's section of the TVDP. Each participant assigned to the contractor's section of the TVDP will receive services from the contractor for approximately 4 months.

c. The Contractor's program shall incorporate the following Therapeutic Community elements:

1) Modified Therapeutic Community Structure to include the following:

Initial Assessment

Pre and Post testing designed to evaluate the program participant's criminal thinking errors

TC structure boards that outline peer hierarchy, roles and job functions

Evidence-based cognitive behavioral therapy curriculum

Program rules

TC Dynamics (such as push-ups, pull-ups, role modeling, awareness sessions, peer support/interaction, peer hierarchy, learning experiences, etc.)

- 2) Community meetings
- 3) Confrontation/Encounter group at least twice a week
- 4) Alcohol and Drug Treatment
- 5) Individual and Group Counseling
- 6) Drug Testing

d. The Contractor's treatment program shall include the following phases:

Phase I – Orientation. During this phase all assessments are conducted and a treatment plan is prepared for each participant. Program participants are oriented to the Therapeutic Community Model and program rules and regulations. Each offender shall receive a minimum of 12 hours of documented therapeutic activities each week. Therapeutic activities may be divided between TC work crews, treatment educational or group counseling sessions, structured group community functions, or 12 step meetings (if available).

Phase II – Main Treatment. Each offender shall receive a minimum of 12 hours of documented therapeutic activities each week. Therapeutic activities may be divided between TC work crews, treatment, educational or group counseling sessions, structured group community functions, academic or vocational counseling programming (if available), or 12 step meetings (if available) .

A.3. Treatment Services at Both Institutions

- a. The Contractor shall use assessment instruments approved by the State's Director of Substance Abuse Services.
- b. The Contractor shall ensure all participants have an Individualized Treatment Plan that will address the following issues: addiction severity, arresting offense and other social and health related information. All treatment plans shall be reviewed and, if needed, updated at every Phase change.
- c. The Contractor shall conduct a follow-up assessment prior to release for each program participant to measure change over time. The assessment instruments to be used must be approved by the State's Director of Substance Abuse Programs.
- d. The Contractor shall be responsible for providing all approved daily treatment and programming activities within the TC. The Contractor shall provide treatment at least five (5) days per week except for holidays as provided in the State holiday schedule.
- e. The Contractor, in concert with the State's Director of Substance Abuse Services, shall provide cognitive/behavioral, culturally sensitive and gender specific treatment programming (e. g. Commitment to Change, Victims Impact) as outlined in the curriculum contained in the Contractor's proposal. Such programming shall be designed to meet the participants' specific needs. Any change in the curriculum requires prior written approval of the State's Director of Substance Abuse Services

- f. The class size of group sessions will be determined by the program census at the institution and by the State's Director of Substance Abuse Services.
- g. The Contractor's educational sessions shall include topics as outlined in its curriculum.
- h. The Contractor shall encourage and incorporate into the treatment program peer support and role modeling.
- i. The Contractor shall encourage program participants to be involved with weekly structured self-help group meetings where they are offered.
- j. All treatment services shall be conducted in accordance with TDOC Policy #113.95, and may be amended in writing by the Department during the term of this contract.

A.4. Urinalysis Testing for Both Institutions

Urinalysis testing shall be used as part of the treatment program as a tool for monitoring program compliance and to identify problems. Actual testing shall be done by institutional staff. The contractor shall be responsible for identifying and advising institutional staff which inmates need to be tested to be in compliance with TDOC Policy requirements, and maintaining in programmatic files those test results as required by policy. All program-related drug screens (to be paid for by the State) shall be conducted in accordance with TDOC Policy 506.21 and TDOC Policy 113.95, since they may be amended in writing by the Department during the term of this contract.

A.5. Staffing for both institutions

- a. The Contractor shall be responsible for recruiting, training, and supervision of all contract treatment and counseling staff. All clinical treatment services shall be provided by licensed alcohol and drug counselors or trained counseling staff.
- b. The Contractor shall maintain the required level of service during staff vacations, sick leave and other absences.
- c. Staff selected by the Contractor for employment on this project shall be asked if they have any association or affiliation with any inmate or offender under any type of supervision by the Tennessee Department of Correction or the Board of Probation and Parole. If any such association or affiliation exists, written approval from the State shall be required prior to employment.
- d. Prior to employment with the Contractor, applicants shall be subjected to a thorough background investigation. Criminal and employment histories must go back a minimum of five (5) years. Said background investigations shall be available to the State upon request. The Contractor shall immediately request a "Criminal History Request" from the National Crime Information Center (NCIC) to be completed on each individual hired to work at a facility. The request shall be forwarded to the State and processed in accordance with procedures established by the Commissioner of TDOC. In no instance may an employee begin work in a facility until the NCIC check has been completed; however, the employee may participate in pre-service training while the check is in process. The State shall notify the Contractor whether or not the employee is cleared for further consideration for employment. The criminal history obtained from NCIC or the FBI may be used solely for the purpose requested, and may not be disseminated outside the Department of Correction or to the affected employee.
- e. The Contractor, its employees, and others acting under the Contractor's control shall at all times observe and comply with all applicable State statutes, Tennessee Department of Correction policies and procedures, and institutional policies and procedures, since the

same may be amended in writing by the Department during the term of this contract, including, but not limited, to, policies regarding security, custody, and control of inmates.

- f. The contractor shall not obstruct the Department of Correction or any of its designated officials from performing their duties in the maintenance of a secure and safe correctional environment.
- g. The Contractor's staff shall be required to attend thirty-two (32) hours of institutional pre-service training provided by the state.

A.6. Administrative Requirements for Both Institutions

- a. The Contractor, in concert with the State's Director of Substance Abuse Services shall develop clearly defined treatment goals and measurable outcomes that directly relate to the program's objectives.
- b. The Contractor shall maintain, for all program participants, scheduled progress reports as approved by the State's Director of Substance Abuse Services that outline program participants' movement toward completion of treatment goals.
- c. The Contractor shall be responsible for completing and submitting all State program forms approved by the State's Director of Substance Abuse Services.
- d. The Contractor shall maintain complete clinical case files on all program participants in accordance with TDOC policy 113.95, since it may be amended in writing by the Department during the term of this contract.

All case files shall be secured in a locked cabinet and in accordance with federal regulations governing "Confidentiality of Alcohol and Drug Abuse Patient Records" (42 CFR, Part 2).

- e. The Contractor shall establish a system of incentives and graduated therapeutic sanctions. The system of incentives and sanctions and any revisions thereto require the prior written approval of the state's Director of Substance Abuse Services.
- f. The Contractor and the State shall jointly develop and maintain standardized operating and disciplinary procedures.
- g. All services and materials associated with the implementation and facilitation of the treatment program shall be furnished by the Contractor.

2. The text of Contract Section B.1. is deleted in its entirety and replaced with the following:

- B.1. Contract Term. This Contract shall be effective for the period commencing on March 1, 2006 and ending on December 31, 2009. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

3. The text of Contract Section C.1. is deleted in its entirety and replaced with the following:

- C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed one million six hundred eighty three thousand dollars (\$1,683,000). The Service Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or

any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

4. The text of Contract Section E.2. is deleted in its entirety and replaced with the following:

E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

The State:

Kenneth Osborne, Director of Substance Abuse
Department of Correction
4th Floor, Rachel Jackson Building
Nashville, Tennessee 37243-0465

TELEPHONE NUMBER: 615-741-1000 Extension 8195
FACSIMILE NUMBER: 615-741-4605

The Contractor:

Charles J. Faris, President & CEO
Spectrum Health Systems, Inc.
10 Mechanic Street, Suite 302
Worcester, MA 01608

TELEPHONE NUMBER: (508) 792-5400 Extension 118
FACSIMILE NUMBER: (508) 831-0074

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the day of delivery; as of the date specified for overnight courier service delivery; as of three (3) business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the telefax machine at the receiving location and receipt is verbally confirmed by the sender if prior to 4:30 p.m. CST. Any communication by facsimile transmission shall also be sent by United States mail on the same date of the facsimile transmission.

The revisions set forth herein shall be effective October 1, 2008. All other terms and conditions not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF:

SPECTRUM HEALTH SYSTEMS, INC.:

CONTRACTOR SIGNATURE

DATE

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

DEPARTMENT OF CORRECTION:

GEORGE M. LITTLE, COMMISSIONER

DATE

APPROVED:

M. D. GOETZ, JR., COMMISSIONER
DEPARTMENT OF FINANCE AND ADMINISTRATION

DATE

JOHN G. MORGAN, COMPTROLLER OF THE TREASURY

DATE

**AMENDMENT ONE
TO CONTRACT FA-06-16688-00**

This Contract Amendment is made and entered by and between the State of Tennessee, Department of Correction, hereinafter referred to as the "State" and Spectrum Health Systems, Inc., hereinafter referred to as the "Contractor." It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

1. The text of contract Section B.1. is deleted in its entirety and replaced with the following:
 B.1. Contract Term. This Contract shall be effective for the period commencing on March 1, 2006 and ending on December 31, 2008. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

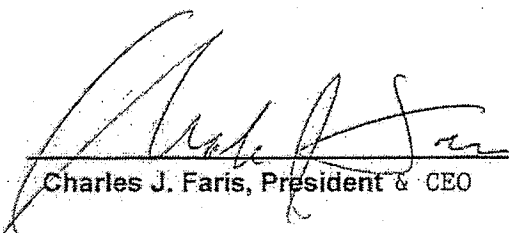
2. The text of contract Section C.1. is deleted in its entirety and replaced with the following:
 C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed **one million two hundred twenty six thousand dollars (\$1,226,000)**. The Service Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

The revisions set forth herein shall be effective January 1, 2008. All other terms and conditions not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF:

Spectrum Health Systems, Inc.:


 Charles J. Faris, President & CEO


 DATE

Charles J. Faris, President & CEO



PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)


Department of Correction:


 George M. Little, Commissioner


 DATE


APPROVED:

  9/20/07
M. D. Goetz, Jr., Commissioner
Department Of Finance And Administration
DATE

 10/2/07
John G. Morgan, Comptroller Of The Treasury
DATE

CONTRACT SUMMARY SHEET

8-8-05

RFS #		Contract #	
329.01-179		FA-06-16688-01	
State Agency		State Agency Division	
Department of Correction		Rehabilitative Services	
Contractor Name		Contractor ID # (FEIN or SSN)	
Spectrum Health Systems, Inc.		<input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- 042478978	
Service Description			
Residential Alcohol and Drug Treatment Program One			
Contract BEGIN Date	Contract END Date	Subrecipient or Vendor?	CFDA #
3/1/2006	12/31/2008	Subrecipient	16.738
Mark, if Statement is TRUE			
<input checked="" type="checkbox"/> Contractor is on STARS as required		<input checked="" type="checkbox"/> Contractor's Form W-9 is on file in Accounts as required	
Allotment Code	Cost Center	Object Code	Fund
329.01	47	084	11
FY	State	Federal	Interdepartmental
2006	\$ 35,897.00	\$ 107,693.00	
2007	\$ 105,613.00	\$ 316,839.00	
2008	\$ 142,594.00	\$ 294,042.00	
2009	\$ 223,322.00		
TOTAL	\$ 507,426.00	\$ 718,574.00	\$ -
			\$ -
			\$ 1,226,000.00
COMPLETE FOR AMENDMENTS ONLY		State Agency Fiscal Contact & Telephone #	
FY	Base Contract & Prior Amendments	THIS Amendment ONLY	Garland Johnson 741-1000 Extension 8096
2006	\$ 143,590.00		State Agency Budget Officer Approval 
2007	\$ 422,452.00		
2008	\$ 214,156.00	\$ 222,480.00	
2009		\$ 223,322.00	
			Funding Certification (certification required by T.C.A. § 9-4-5113, that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)
TOTAL	\$ 780,198.00	\$ 445,802.00	
End Date			
Contractor Ownership			
<input type="checkbox"/> African American	<input type="checkbox"/> Disabled	<input type="checkbox"/> Hispanic	<input type="checkbox"/> Small Business <input checked="" type="checkbox"/> NOT minority/disadvantaged
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input type="checkbox"/> OTHER minority/disadvantaged—
Contractor Selection Method			
<input type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation	<input type="checkbox"/> Alternative Procurement Method	
<input type="checkbox"/> Non-Competitive Negotiation	<input type="checkbox"/> Government	<input type="checkbox"/> Other	
Procurement Process Summary			
N/A for amendment. <div style="position: absolute; right: 0; top: 0; text-align: right;"> RECEIVED 2007 SEP 24 AM 9:55 COMPTROLLER'S OFFICE OFFICE OF MANAGEMENT SERVICES </div>			

**CONTRACT
BETWEEN THE STATE OF TENNESSEE,
DEPARTMENT OF CORRECTION
AND
SPECTRUM HEALTH SYSTEMS, INC.**

This Contract, by and between the State of Tennessee, Department of Correction, hereinafter referred to as the "State" and Spectrum Health Systems, Inc., hereinafter referred to as the "Contractor," is for the provision of in-prison comprehensive alcohol and drug treatment program, as further defined in the "SCOPE OF SERVICES."

The Contractor is A NONPROFIT CORPORATION. The Contractor's address is:

10 Mechanic Street, Suite 302
Worcester, MA 01608

The Contractor's place of incorporation or organization is Massachusetts.

A. SCOPE OF SERVICES:

A.1. General Program Requirements

- a. The Contractor shall develop and implement a six (6) to nine (9) month in-prison, comprehensive alcohol and drug treatment program based on a Therapeutic Community (TC) model for incarcerated felony drug offenders at the following three facilities along with the required Contractor staffing indicated:

Turney Center Industrial Prison (TCIP) 78 beds

Required Staffing: One (1) licensed substance abuse counselor and two (2) non-licensed substance abuse counselors (full time positions or their equivalents working standard week of 37.5 hours) Note: Existing State staff will be available to maintain a case load ratio of twenty-five (25) participants to one (1) counselor.

West Tennessee State Prison (WTSP) 100 beds

Required Staffing: One (1) licensed substance abuse counselor (full time position or its equivalent working standard week of 37.5 hours) Note: Existing State staff will be available to maintain a case load ratio of twenty-five (25) participants to one (1) counselor.

Wayne County Boot Camp (WCBC) 200 beds

Required Staffing: One (1) licensed substance abuse counselor and one (1) non-licensed substance abuse counselor (full time positions or their equivalents working standard week of 37.5 hours) Note: Existing State staff will be available to maintain a case load ratio of twenty-five (25) participants to one (1) counselor.

- b. The Contractor shall design and implement a treatment program that includes the following treatment elements:

1) Classic Therapeutic Community Structure

Assessment

Pre-testing designed to evaluate the program participant's cognitions

Post-testing designed to evaluate the program's effect on change in the participant's cognitions

(TC) roles and job functions

Evidence-based cognitive behavioral therapy curriculum

Program rules

Community dynamics (such as push-ups, pull-ups, buddy system, role modeling, awareness sessions, peer support/interaction, peer hierarchy, learning experiences, etc.)

Community meetings

2) Confrontation/Encounter group

3) Drug Education

4) Substance Abuse Treatment

5) Individual and Group Counseling

6) Drug Testing

- c. The Contractor shall provide treatment services for a minimum of 456 offenders on an annual basis and shall provide contractor staff participation in annual substance abuse treatment program integrity reviews and semi-annual reviews of individual substance abuse treatment program as mandated by TDOC policy. All treatment services shall be conducted in accordance with TDOC Policy #113.95 at the following web address: <http://www.state.tn.us/correction/pdf/113-95.pdf>. The Contractor's treatment program shall include the following phases:

Phase I – Orientation. This is the initial phase of the program. During this phase a needs assessment is conducted and a treatment plan is prepared for each participant. Program participants are oriented to the Therapeutic Community Model and program rules and regulations. During this phase each offender shall receive a minimum of twenty (20) hours of documented therapeutic activities per week. Therapeutic activities may be divided between in-prison community service work, drug education, Therapeutic Community (TC) oriented groups or group counseling sessions.

Phase II – Main Treatment. This is the intensive stage of treatment in which each offender shall receive a minimum of thirty (30) hours of documented therapeutic activities per week. During this phase offenders may be involved in any one or a combination of the following activities: drug education, individual and group treatment, TC related group processes and academic and vocational programming, if available. During this phase offenders shall also be encouraged to participate in structured self-help groups.

Phase III – Reintegration. During this phase offenders are preparing for community release or release to the general prison population. The primary focus of this phase shall be on

addressing transitional issues. All program participants shall be required to develop a Transition Accountability Plan. This plan is for the participant to develop with assistance from the counselor. It includes information such as housing arrangements, family/marital plans, education, employment, legal issues, continued treatment services, etc. Each offender shall receive a minimum of ten (10) hours of documented therapeutic activities per week. Therapeutic activities may include any one or a combination of the following activities: individual and group counseling, vocational skills development, community service and participation in self-help groups.

Program participants that have completed all phases of the treatment program shall be successfully terminated from the Therapeutic Community.

- d. In concert with the State, the Contractor shall develop clear, distinct, and documented criteria for movement from one phase to the next.

A.2. Treatment Services

- a. The Contractor shall use the TDOC Intake Assessment form and Texas Christian University Drug Screen II (TCUDS II) as well as a pre-testing system to assess participants' needs and treatment plan development as specified in TDOC Policy.
- b. The Contractor shall address the following issues when developing the treatment plan: addiction severity, drug use, prior treatment, and other social and health related information. All program participants shall have an individual treatment plan. All treatment plans shall be reviewed and updated every six (6) months.
- c. The contractor shall conduct a follow-up assessment within four (4) to six (6) weeks prior to program release on each program participant to measure change over time. The assessment instruments to be used must be approved by the State's Director of Substance Abuse Programs.
- d. The Contractor shall be responsible for providing all approved daily treatment and programming activities within the TC. The Contractor shall provide therapeutic activities at least five (5) days per week except for holidays as provided in the State holiday schedule.
- e. Treatment programming shall be designed and focused on areas such as but not limited to the disease concept of addiction, criminal thinking errors, guilt/shame, wellness, sexually transmitted diseases, anger, abuse, co-dependency, powerlessness, responsibility, fulfillment and self-actualization, domestic violence, dysfunctional relationships, self image and self esteem, parenting, leisure time planning, spirituality, nutrition, victims' awareness, and choices.
- f. The Contractor shall normally limit treatment group sessions to twenty (20) participants or less. Drug education class sizes shall normally be limited to thirty-two (32) participants or less.
- g. Drug education shall include classroom instruction on thinking errors, criminal behavior, drugs, their effects, and consequences. Each program participant will receive a minimum of ten (10) weeks or twenty-six (26) hours of drug education.
- h. The Contractor shall offer programming that includes cognitive/behavioral skills development. Programming shall be designed to meet the participants' specific needs.
- i. The Contractor shall encourage and incorporate into the treatment program peer support and role modeling.
- j. The Contractor shall provide opportunities for program participants to be involved with weekly structured self-help group meetings through Alcoholics Anonymous (AA) and Narcotics Anonymous (NA). Attendance will be encouraged by the Contractor.
- k. The Contractor shall also offer weekly follow-up or aftercare session for program graduates to monitor progress and provide support.

- I. The Contractor shall provide programming which meets the unique needs and concerns of different cultures including such factors as cultural orientations, beliefs, and value systems relevant to these populations.

A.3. Urinalysis Testing

- a. Urinalysis testing shall be used as part of the treatment program as a tool for monitoring program compliance and to identify problems.
- b. All program-related drug screens (to be paid for by the State) shall be conducted in accordance with TDOC Policy 506.21 and TDOC Policy 113.95 available at the following website:
<http://www.state.tn.us/correction/policies/poly.html>.

All program participants shall receive an initial drug and alcohol screen as well as random screens while participating in the treatment program. All positive screens shall be confirmed through the use of a second testing methodology.

The Contractor shall comply with the State's policy and procedures regarding urinalysis testing, chain of custody, and sanctions for positive drug screens.

A.4. Staffing

- a. The Contractor shall be responsible for recruiting (except for the State staff), training, and supervising all contract treatment and counseling staff. All clinical treatment services shall be provided by licensed alcohol and drug counselors or trained counseling staff.
- b. The Contractor shall maintain the required level of service during staff vacation, sick leave and other absences.
- c. Staff selected by the Contractor for employment on this project shall be asked if they have any association or affiliation with any inmate or offender under any type of supervision by the Tennessee Department of Correction or the Board of Probation and Parole. If any such association or affiliation exists, written approval from the State shall be required prior to employment.
- d. Prior to employment with the Contractor, applicants shall be subjected to a thorough background investigation. Criminal and employment histories must go back a minimum of five (5) years. Said background investigations shall be available to the State upon request. The Contractor shall immediately request a "Criminal History Request" from the National Crime Information Center (NCIC) to be completed on each individual hired to work at a Facility. The request shall be forwarded to the State and processed in accordance with procedures established by the Commissioner of TDOC. In no instance may an employee begin work in a facility until the NCIC check has been completed; however, the employee may participate in pre-service training while the check is in process. The State shall notify the Contractor whether or not the employee is cleared for further consideration for employment. The criminal history obtained from NCIC or FBI may be used solely for the purpose requested, and may not be disseminated outside the Department of Correction or the affected employee.
- e. The Contractor, its employees, and others acting under the Contractor's control shall at all times observe and comply with all applicable State statutes, Tennessee Department of Correction policies and procedures, and institutional policies and procedures. Refer to the following website: <http://www.state.tn.us/correction/policies/poly.html>. The Contractor and its employees shall at all times adhere to Tennessee Department of Correction policies regarding security, custody, and control of inmates.
- f. The contractor shall not obstruct the Department of Correction or any of its designated officials from performing their duties in the maintenance of a secure and safe correctional environment.

- g. The Contractor's staff shall be required to attend thirty-two (32) hours of institutional pre-service training.

A.5. Administrative Requirements.

- a. The Contractor shall develop clearly defined treatment goals and measurable outcomes that directly relate to the program's objectives.
- b. The Contractor shall present to the State (within forty-five (45) days from the date the Contractor signs the contract) a description of the procedures that shall be used to track and evaluate program outcomes that include but are not limited to employment history and recidivism on all program participants who successfully complete the program and who are subsequently released from the prison facilities.
- c. The Contractor shall maintain, for all program participants, weekly progress reports that outline program participants' progress toward completion of treatment goals.
- d. The Contractor shall be responsible for completing and submitting all State program forms including: TCUDS (if not provided by TDOC classification staff), monthly program statistical report, intake report forms, and discharge summaries.
- e. The Contractor shall maintain complete clinical case files on all program participants as described in TDOC policy 113.95 located at the following website:
<http://www.state.tn.us/correction/pdf/113-95.pdf>.

All case files shall be secured in a locked cabinet and in accordance with federal regulations governing "Confidentiality of Alcohol and Drug Abuse Patient Records" (42 CFR, Part 2 at the following website: http://www.access.gpo.gov/nara/cfr/waisidx_02/42cfr2_02.html).

- f. The Contractor, in concert with the Department of Correction, shall establish a system of rewards / incentives and graduated sanctions.
- g. The Contractor and the State shall jointly develop and maintain standardized operating and disciplinary procedures.
- h. All services and materials associated with the implementation and facilitation of the treatment program shall be furnished by the Contractor.

B. CONTRACT TERM:

- B.1. Contract Term. This Contract shall be effective for the period commencing on March 1, 2006 and ending on December 31, 2007. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.
- B.2. Term Extension. The State reserves the right to extend this Contract for an additional period or periods of time representing increments of no more than one year and a total contract term of no more than five (5) years, provided that the State notifies the Contractor in writing of its intention to do so at least one hundred twenty (120) days prior to the contract expiration date. An extension of the term of this Contract will be effected through an amendment to the Contract. If the extension of the Contract necessitates additional funding beyond that which was included in the original Contract, the increase in the State's maximum liability will also be effected through an amendment to the Contract and shall be based upon rates provided for in the original contract.

C. PAYMENT TERMS AND CONDITIONS:

- C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed **seven hundred eighty thousand one hundred ninety eight dollars (\$780,198)**. The Service Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates

include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

- C.2. Compensation Firm. The Service Rates and the Maximum Liability of the State under this Contract are firm for the duration of the Contract and are not subject to escalation for any reason unless amended.
- C.3. Payment Methodology. The Contractor shall be compensated based on the Service Rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor's compensation shall be contingent upon the satisfactory completion of units of service or project milestones defined in Section A. The Contractor shall be compensated based upon the following Service Rates:

<u>SERVICE UNIT/MILESTONE</u>	<u>Hourly Rate</u> <u>3/1/2006</u> <u>thru</u> <u>2/28/2007</u>	<u>Hourly Rate</u> <u>3/1/2007</u> <u>thru</u> <u>12/31/2007</u>	<u>*Hourly Rate</u> <u>1/1/2008</u> <u>thru</u> <u>12/31/2008</u>	<u>*Hourly Rate</u> <u>1/1/2009</u> <u>thru</u> <u>12/31/2009</u>	<u>*Hourly Rate</u> <u>1/1/2010</u> <u>thru</u> <u>12/31/2010</u>
Licensed Substance Abuse Counselor Hourly Rate	\$39.86	\$40.88	\$42.48	\$43.64	\$44.84
Non-licensed Substance Abuse Counselor Hourly Rate	\$32.66	\$33.48	\$34.77	\$35.70	\$36.65

* Would apply if extended by amendment.

The Contractor shall submit monthly invoices, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Such invoices shall be submitted for completed units of service or project milestones for the amount stipulated.

- C.4. Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.
- C.5. Payment of Invoice. The payment of the invoice by the State shall not prejudice the State's right to object to or question any invoice or matter in relation thereto. Such payment by the State shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the amounts invoiced therein.
- C.6. Invoice Reductions. The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the State, on the basis of audits conducted in accordance with the terms of this contract, not to constitute proper remuneration for compensable services.
- C.7. Deductions. The State reserves the right to deduct from amounts which are or shall become due and payable to the Contractor under this or any contract between the Contractor and the State of Tennessee any amounts which are or shall become due and payable to the State of Tennessee by the Contractor.
- C.8. Automatic Deposits. The Contractor shall complete and sign an "Authorization Agreement for Automatic Deposit (ACH Credits) Form." This form shall be provided to the Contractor by the State. Once this form has been completed and submitted to the State by the Contractor all payments to the Contractor, under this or any other contract the Contractor has with the State of Tennessee shall be made by Automated Clearing House (ACH). The Contractor shall not invoice the State for services until the Contractor has completed this form and submitted it to the State.

D. STANDARD TERMS AND CONDITIONS:

- D.1. Required Approvals. The State is not bound by this Contract until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.
- D.2. Modification and Amendment. This Contract may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations.
- D.3. Termination for Convenience. The State may terminate this Contract without cause for any reason. Said termination shall not be deemed a Breach of Contract by the State. The State shall give the Contractor at least ninety (90) days written notice before the effective termination date. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- D.4. Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the State shall have the right to immediately terminate the Contract and withhold payments in excess of fair compensation for completed services. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor.
- D.5. Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the State. If such subcontracts are approved by the State, they shall contain, at a minimum, sections of this Contract pertaining to "Conflicts of Interest" and "Nondiscrimination" (sections D.6. and D.7.). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.
- D.6. Conflicts of Interest. The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.
- D.7. Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.
- D.8. Records. The Contractor shall maintain documentation for all charges against the State under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.
- D.9. Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.
- D.10. Progress Reports. The Contractor shall submit brief, periodic, progress reports to the State as requested.
- D.11. Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or

condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.

- D.12. Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.

The Contractor, being an independent contractor and not an employee of the State, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.

- D.13. State Liability. The State shall have no liability except as specifically provided in this Contract.
- D.14. Force Majeure. The obligations of the parties to this contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, acts of God, riots, wars, strikes, epidemics or any other similar cause.
- D.15. State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.
- D.16. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under ***Tennessee Code Annotated***, Sections 9-8-101 through 9-8-407.
- D.17. Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.
- D.18. Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.
- D.19. Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E. SPECIAL TERMS AND CONDITIONS:

- E.1. Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.
- E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by facsimile transmission, by overnight courier service, or by first class mail, postage prepaid, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

The State:
William Gupton, Director of Substance Abuse
Department of Correction
4th Floor, Rachel Jackson Building

Nashville, Tennessee 37243-0465

TELEPHONE NUMBER: 615-741-1000 Extension 8195
FACSIMILE NUMBER: 615-741-4605

The Contractor:

Charles J. Faris, President & CEO
Spectrum Health Systems, Inc.
10 Mechanic Street, Suite 302
Worcester, MA 01608

TELEPHONE NUMBER: (508) 792-5400 Extension 118
FACSIMILE NUMBER: (508) 831-0074

All instructions, notices, consents, demands, or other communications shall be considered effectively given as of the day of delivery; as of the date specified for overnight courier service delivery; as of three (3) business days after the date of mailing; or on the day the facsimile transmission is received mechanically by the telefax machine at the receiving location and receipt is verbally confirmed by the sender if prior to 4:30 p.m. CST. Any communication by facsimile transmission shall also be sent by United States mail on the same date of the facsimile transmission.

- E.3. Subject to Funds Availability. The Contract is subject to the appropriation and availability of State and/or Federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate the Contract upon written notice to the Contractor. Said termination shall not be deemed a breach of Contract by the State. Upon receipt of the written notice, the Contractor shall cease all work associated with the Contract. Should such an event occur, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Upon such termination, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- E.4. Partial Takeover. The State may, at its convenience and without cause, exercise a partial takeover of any service which the Contractor is obligated to perform under this Contract, including but not limited to any service which is the subject of a subcontract between Contractor and a third party, although the Contractor is not in Breach (hereinafter referred to as "Partial Takeover"). Said Partial Takeover shall not be deemed a Breach of Contract by the State. Contractor shall be given at least 30 days prior written notice of said Partial Takeover with said notice to specify the area(s) of service the State will assume and the date of said assumption. Any Partial Takeover by the State shall not alter in any way Contractor's other obligations under this Contract. The State may withhold from amounts due the Contractor the amount the Contractor would have been paid to deliver the service as determined by the State. The amounts shall be withheld effective as of the date the State assumes the service. Upon Partial Takeover, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- E.5. Competitive Procurements. This Contract provides for reimbursement of the cost of goods, materials, supplies, equipment, or services. Such procurements shall be made on a competitive basis, where practical.
- E.6. State Furnished Property. The Contractor shall be responsible for the correct use, maintenance, and protection of all articles of nonexpendable, tangible, personal property furnished by the State for the Contractor's temporary use under this Contract. Upon termination of this Contract, all property furnished shall be returned to the State in good order and condition as when received, reasonable use and wear thereof excepted. Should the property be destroyed, lost, or stolen, the Contractor shall be responsible to the State for the residual value of the property at the time of loss.
- E.7. Incorporation of Additional Documents. Included in this Contract by reference are the following documents:
- a. The Contract document and its attachments
 - b. All Clarifications and addenda made to the Contractor's Proposal
 - c. The Request for Proposal and its associated amendments

- d. Technical Specifications provided to the Contractor
- e. The Contractor's Proposal

In the event of a discrepancy or ambiguity regarding the Contractor's duties, responsibilities, and performance under this Contract, these documents shall govern in order of precedence detailed above.

- E.8. Workpapers Subject to Review. The Contractor shall make all audit, accounting, or financial analysis workpapers, notes, and other documentation available for review by the Comptroller of the Treasury or his representatives, upon request, during normal working hours either while the analysis is in progress or subsequent to the completion of this Contract.

- E.9. Lobbying. The Contractor certifies, to the best of its knowledge and belief, that:

No federally appropriated funds have been paid or will be paid, by or on behalf of the Contractor, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, and entering into any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.

If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this contract, grant, loan, or cooperative agreement, the Contractor shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

The Contractor shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including sub-grants, subcontracts, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients of federally appropriated funds shall certify and disclose accordingly.

- E.10. Prohibited Advertising. The Contractor shall not refer to this Contract or the Contractor's relationship with the State hereunder in commercial advertising in such a manner as to state or imply that the Contractor or the Contractor's services are endorsed.

- E.11. Confidentiality of Records. The Contractor agrees that strict standards of confidentiality of records shall be maintained in accordance with state and federal law and regulations (T.C.A. 63-2-101, T.C.A 33-3-103 et seq., 42 CFR Part 2). All material and information provided to the Contractor by the State or acquired by the Contractor on behalf of the State whether verbal, written, magnetic tape, cards or otherwise shall be regarded as confidential information in accordance with the provisions of state law and ethical standards and shall not be disclosed, except as otherwise permitted by law, regulation or court order, and all necessary steps shall be taken by the Contractor to safeguard the confidentiality of such material or information in conformance with federal and state law and ethical standards.

It shall be the Contractor's responsibility to ensure that any destruction of confidential information, as described in this section, will be accomplished in a manner consistent with state policy and federal regulations pertaining to the destruction of private or confidential data.

The Contractor's obligations under this section do not apply to information; in the public domain; entering the public domain but not from a breach by the Contractor of this contract; previously possessed by the Contractor without written obligations to the State to protect it; acquired by the Contractor without written restrictions against disclosure from a third party which, to the Contractor's knowledge, is free to disclose the information; independently developed by the Contractor without the use of the State's information; or, disclosed by the State to others without restrictions against disclosure.

It is expressly understood and agreed the obligations set forth in this section shall survive the termination of this Contract.

- E.12. Date/Time Hold Harmless. As required by *Tennessee Code Annotated*, Section 12-4-118, the contractor shall hold harmless and indemnify the State of Tennessee; its officers and employees; and any

agency or political subdivision of the State for any breach of contract caused directly or indirectly by the failure of computer software or any device containing a computer processor to accurately or properly recognize, calculate, display, sort or otherwise process dates or times.

- E.13. Hold Harmless. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims, liabilities, losses, and causes of action which may arise, accrue, or result to any person, firm, corporation, or other entity which may be injured or damaged as a result of acts, omissions, or negligence on the part of the Contractor, its employees, or any person acting for or on its or their behalf relating to this Contract. The Contractor further agrees it shall be liable for the reasonable cost of attorneys for the State in the event such service is necessitated to enforce the terms of this Contract or otherwise enforce the obligations of the Contractor to the State.

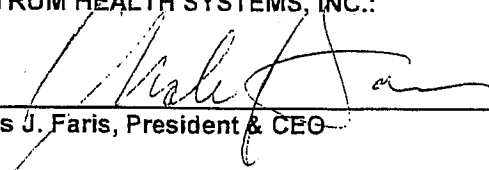
In the event of any such suit or claim, the Contractor shall give the State immediate notice thereof and shall provide all assistance required by the State in the State's defense. The State shall give the Contractor written notice of any such claim or suit, and the Contractor shall have full right and obligation to conduct the Contractor's own defense thereof. Nothing contained herein shall be deemed to accord to the Contractor, through its attorney(s), the right to represent the State of Tennessee in any legal matter, such rights being governed by **Tennessee Code Annotated**, Section 8-6-106.

- E.14. Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in **Tennessee Code Annotated**, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System; provides that if a retired member returns to State employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor may be required to repay to the Tennessee Consolidated Retirement System the amount of retirement benefits the Contractor received from the Retirement System during the period of this Contract.

- E.15. Debarment and Suspension. The Contractor certifies, to the best of its knowledge and belief, that it and its principals:
- a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal or State department or agency;
 - b. have not within a three (3) year period preceding this Contract been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offense in connection with obtaining attempting to obtain, or performing a public (Federal, State, or Local) transaction or grant under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;
 - c. are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, or Local) with commission of any of the offenses detailed in section b. of this certification; and
 - d. have not within a three (3) year period preceding this Contract had one or more public transactions (Federal, State, or Local) terminated for cause or default.

IN WITNESS WHEREOF:

SPECTRUM HEALTH SYSTEMS, INC.:



Charles J. Faris, President & CEO1/20/06

Date

DEPARTMENT OF CORRECTION:

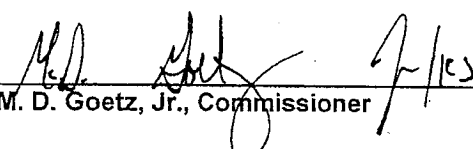


George M. Little, Commissioner1/25/06

Date

APPROVED:


DEPARTMENT OF FINANCE AND ADMINISTRATION:



M. D. Goetz, Jr., Commissioner2/22/06

Date

DEPARTMENT OF PERSONNEL:



Nat E. Johnson, Acting Commissioner_____
Date

COMPTROLLER OF THE TREASURY:



John G. Morgan, Comptroller of the Treasury2/24/06

Date